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Solvency II – A new and revolutionary framework for the international (re)insurance industry

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Reinsurance Summit
27th June 2011*

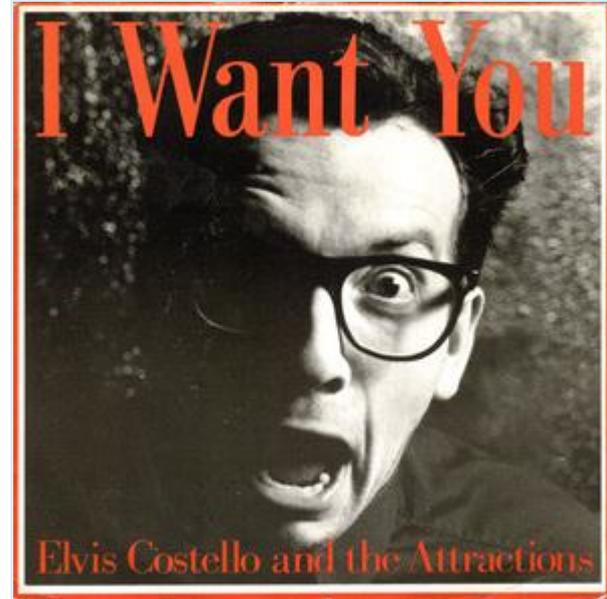


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Introduction

What are the objectives of a Regulatory Framework?

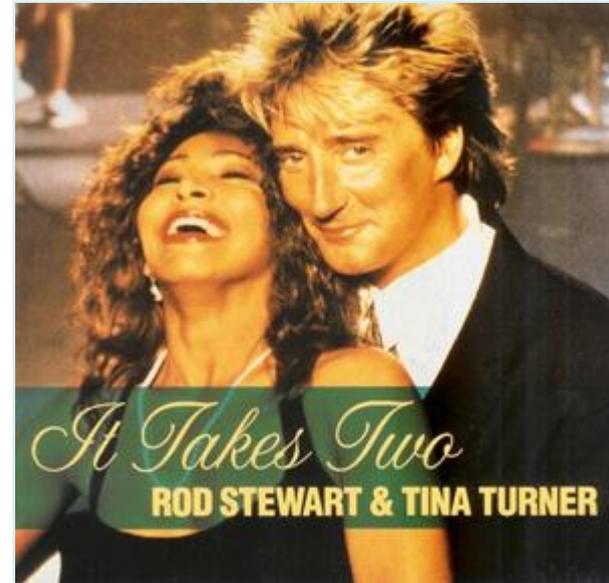
- **Consumer protection**
- **Financial stability**
- **Competitiveness**



What integrates the Regulatory Framework?

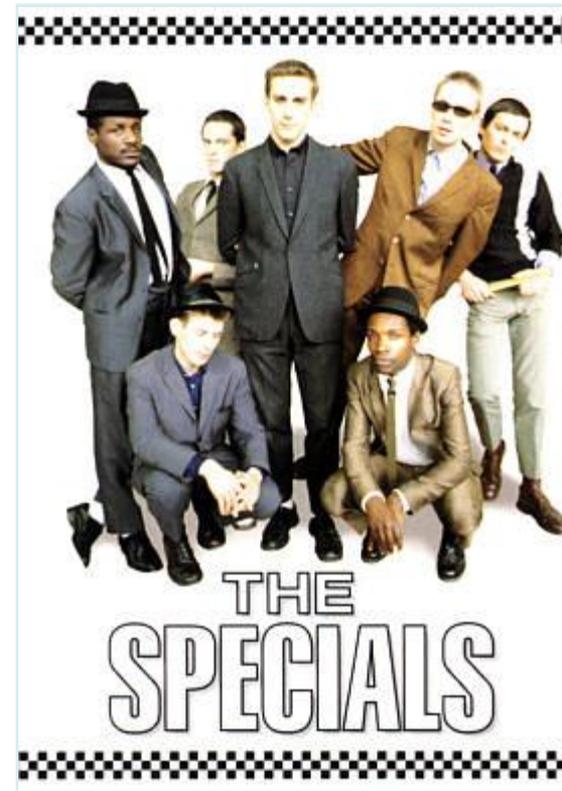
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- **Regulation**
- **Supervision**



An Insurance Regulatory Framework?

- **Insurance is NOT Banking**
- **Cannot be treated the same**
- **Must avoid regulatory arbitrage**



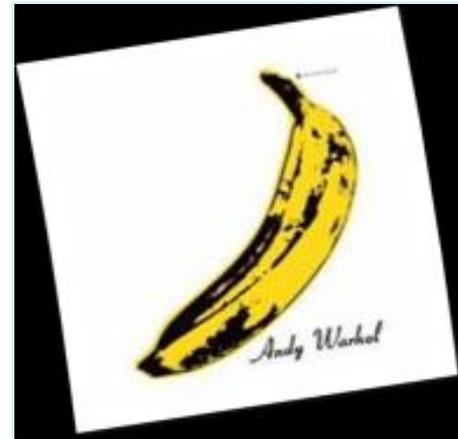


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Regulation

Regulation

- **Risk based: 3 pillars**
- **Economic based: market consistent**
- **Principle based**



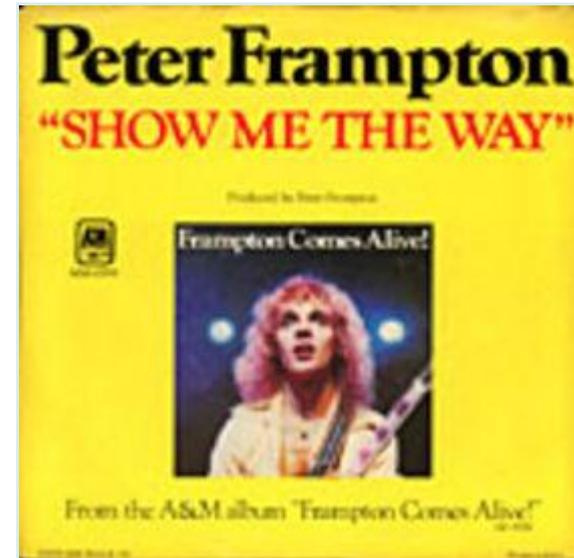
Pillar 1

- **Quantity and Quality of capital**
- **Complexity**
- **Internal models**



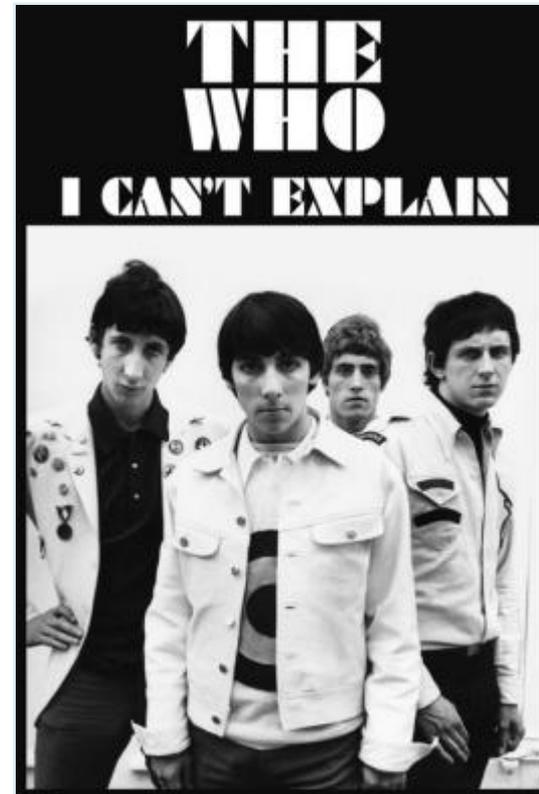
Pillar 2

- **Need of internal controls**
- **Incentives for sound risk management**
- **Internal models as decision making toolkits**



Pillar 3

- **Enhance disclosure and transparency**
- **Comparability**
- **Understanding**
- **trust**





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Supervision

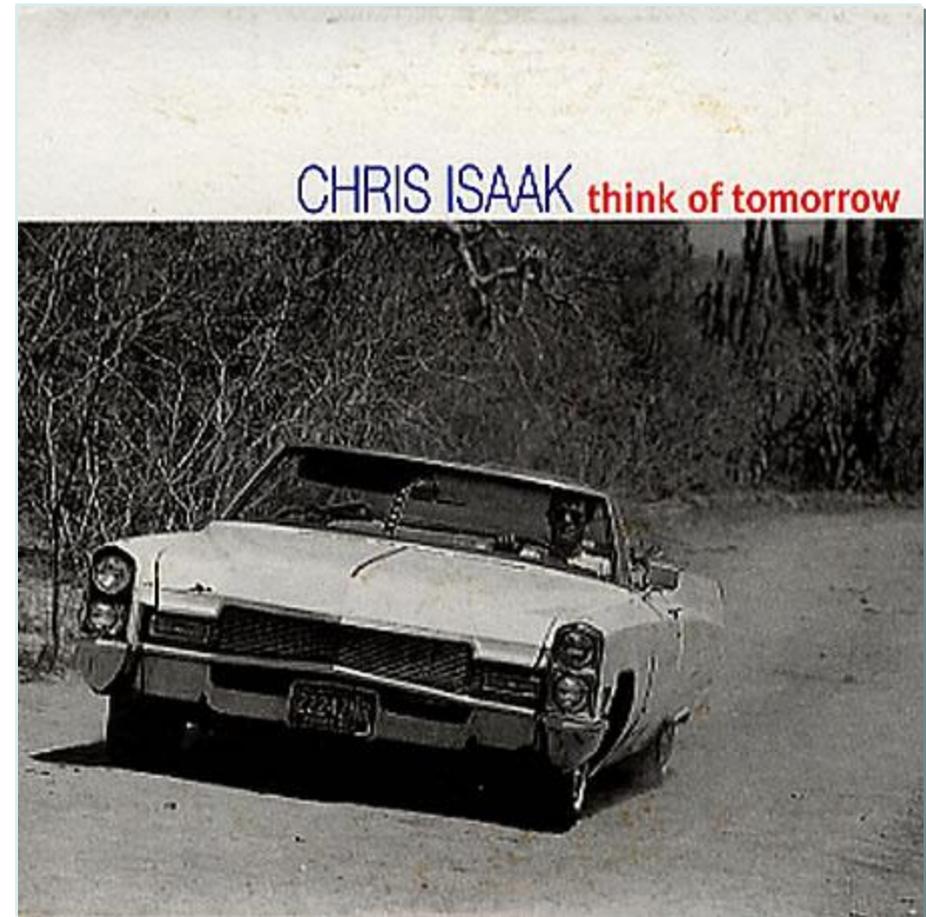
Supervision (yesterday)

- **Reactive**
- **National interest**
- **Under resourced**



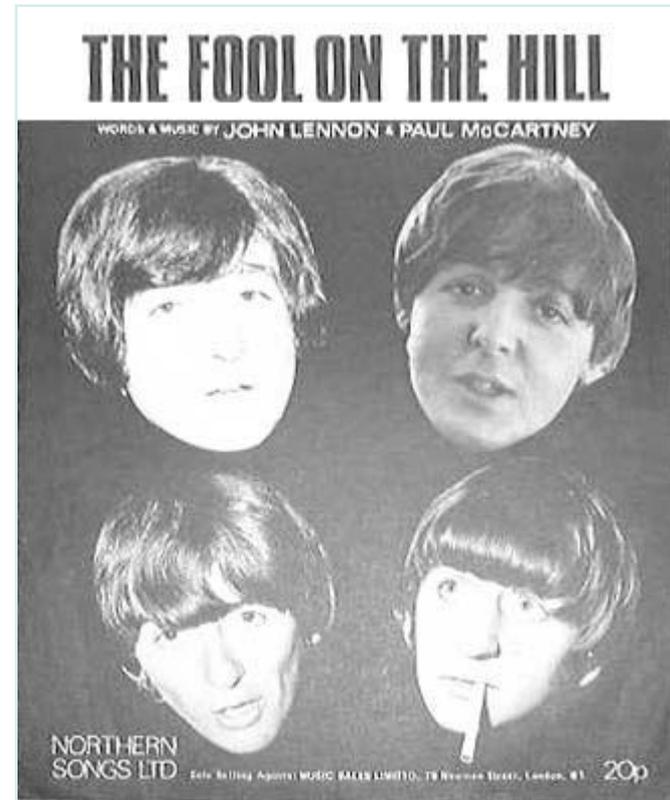
Supervision (tomorrow)

- **Preemptive**
- **Consistent**
- **Mirroring economic reality**

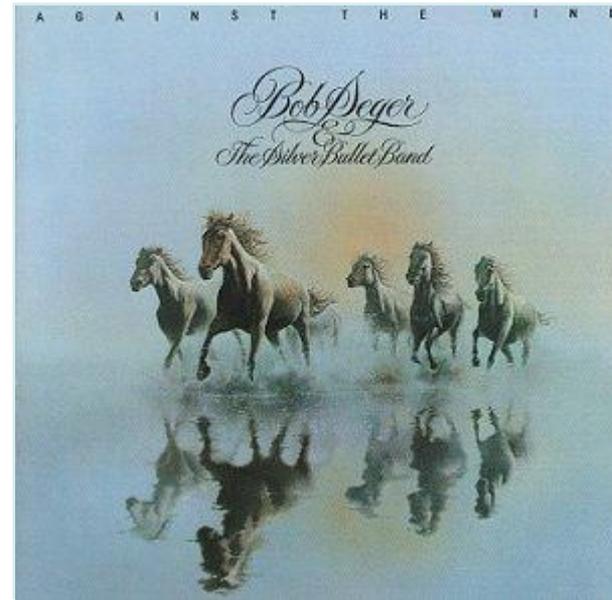


Consumer protection

- Consumers need to be protected.
- Protection is the sum of regulation, supervision, self-regulation, right information and understanding.



- **Appropriate links between micro and macro**
- **SiFis debate**



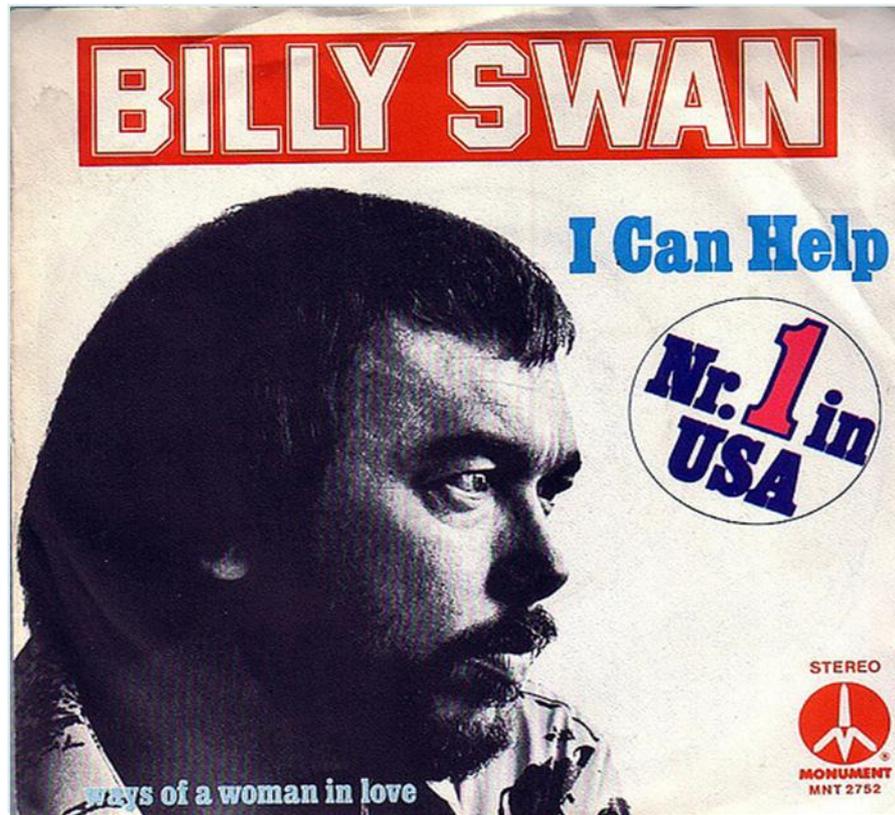
- **Insurance is needed... and has to be profitable.**
- **But how much?**



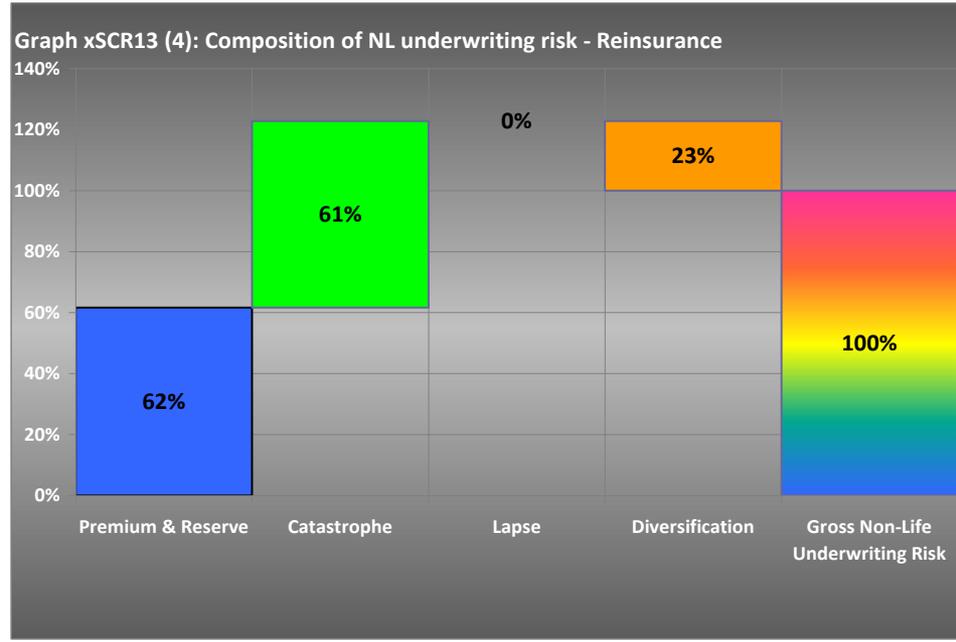
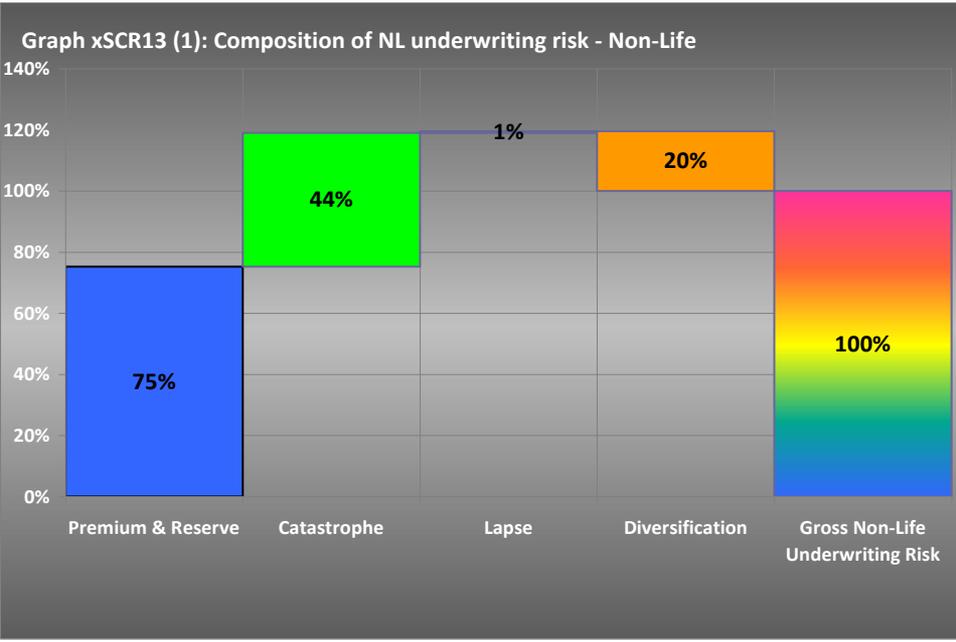


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Reinsurance

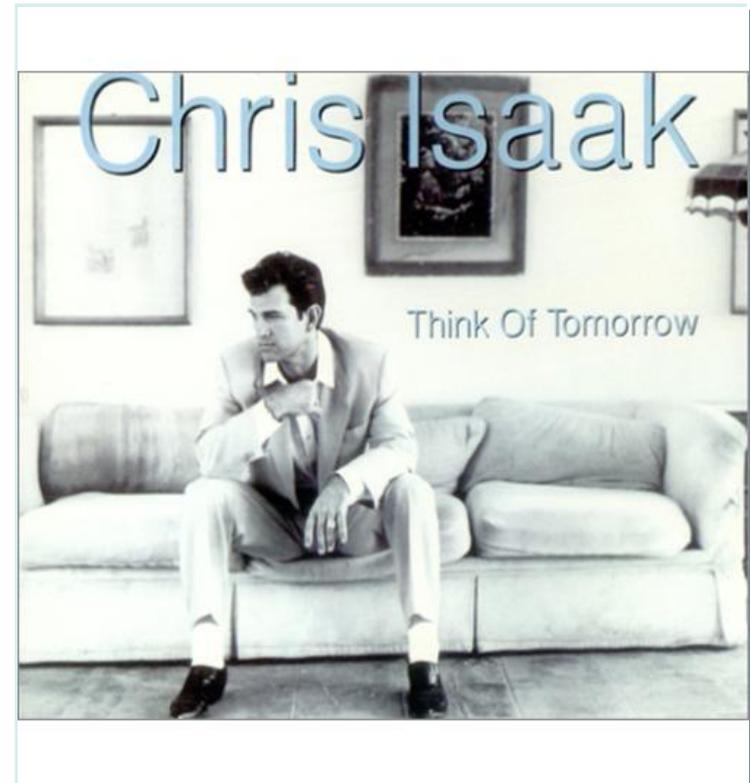


Underwriting risk for reinsurers under QIS5 EIOPA



Cat risk is more important for reinsurers than on average for the market!

- Liquidity?:
 - Due to low frequency and large events, reinsurers are expected to pay specific attention to their liquidity position
- Own funds:
 - Quality (and quantity!) of own funds matters for reinsurers (also for rating agencies)
- SCR:
 - Reinsurers are used to (complex) internal modelling since for a longer time than insurers and expected to have internal models also given the high **IMPORTANCE OF A SOUND RISK MANAGEMENT!**





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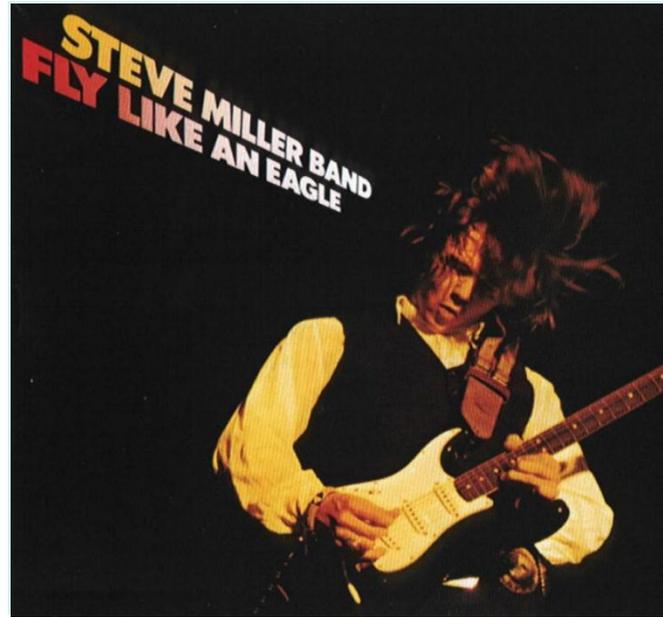
Bonus track: EIOPA

- **Authority**
- **Supervisory powers**
- **Regulatory powers**
- **International role**



From CEIOPS to EIOPA

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To summarize...

To make it work...

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Thank you!

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